



Dillard's, Inc. Reports Second Quarter and Year-to-Date Results

August 11, 2022

LITTLE ROCK, Ark.--(BUSINESS WIRE)-- Dillard's, Inc. (NYSE: DDS) (the "Company" or "Dillard's") announced operating results for the 13 and 26 weeks ended July 30, 2022. This release contains certain forward-looking statements. Please refer to the Company's cautionary statements included below under "Forward-Looking Information."

Chief Executive Officer William T. Dillard, II stated, "Business softened in the quarter as we lapped the strongest second quarter in our history. Our first half performance was far better than last year's with net income up 21%, earnings per share up 44% and gross margin up 240 basis points. We repurchased \$412 million of stock during the half versus \$171 million last year."

Highlights of the 26 Weeks (compared to the prior year 26 weeks):

- Total retail sales increased 10%
- Comparable store sales increased 10%
- Net income of \$414.5 million compared to \$343.9 million
- Earnings per share of \$23.07 compared to \$16.03
- Retail gross margin of 44.5% of sales compared to 42.1% of sales
- Operating expenses were \$802.1 million (25.1% of sales) compared to \$702.5 million (24.2% of sales)
- Share repurchase of \$412.3 million (approximately 1,610,000 shares)

26-Week Results

Dillard's reported net income for the 26 weeks ended July 30, 2022 of \$414.5 million, or \$23.07 per share, compared to \$343.9 million, or \$16.03 per share, for the prior year 26-week period. Included in net income for the 26 weeks ended July 30, 2022 is a pretax gain of \$7.2 million (\$5.6 million after tax or \$0.31 per share) primarily related to the sale of a store property.

Included in net income for the prior year 26-week period ended July 31, 2021 is a pretax gain of \$24.7 million (\$19.2 million after tax or \$0.89 per share) primarily related to the sale of three store properties.

Sales – 26 Weeks

Net sales for the 26 weeks ended July 30, 2022 and July 31, 2021 were \$3.200 billion and \$2.899 billion, respectively. Net sales includes the operations of the Company's construction business, CDI Contractors, LLC ("CDI").

Total retail sales (which excludes CDI) for the 26-week periods ended July 30, 2022 and July 31, 2021 were \$3.133 billion and \$2.836 billion, respectively. Total retail sales increased 10% for the 26-week period ended July 30, 2022. Sales in comparable stores increased 10%.

Gross Margin – 26 Weeks

Consolidated gross margin for the 26 weeks ended July 30, 2022 was 43.7% of sales compared to 41.3% of sales for the prior year 26-week period.

Retail gross margin (which excludes CDI) for the 26 weeks ended July 30, 2022 improved 240 basis points of sales to 44.5% compared to 42.1% for the prior year 26-week period.

Inventory increased 7% at July 30, 2022 against a 13% decrease at July 31, 2021.

Selling, General & Administrative Expenses – 26 Weeks

Consolidated selling, general and administrative expenses ("operating expenses") for the 26 weeks ended July 30, 2022 increased \$99.6 million to \$802.1 million (25.1% of sales) compared to \$702.5 million (24.2% of sales) for the prior year 26-week period primarily due to continued increases in payroll and payroll related expenses.

Highlights of the Second Quarter (compared to the prior year second quarter):

- Comparable store sales were flat
- Net income of \$163.4 million compared to net income of \$185.7 million
- Earnings per share of \$9.30 compared to \$8.81
- Retail gross margin of 41.5% of sales compared to 41.7% of sales
- Operating expenses were \$401.3 million (25.3% of sales) compared to \$365.9 million (23.3% of sales)

- Share repurchase of \$225.8 million (approximately 875,000 shares)

Second Quarter Results

Dillard's reported net income for the 13 weeks ended July 30, 2022 of \$163.4 million, or \$9.30 per share, compared to net income of \$185.7 million, or \$8.81 per share, for the 13 weeks ended July 31, 2021.

Sales – Second Quarter

Net sales for the 13 weeks ended July 30, 2022 and July 31, 2021 were \$1.589 billion and \$1.570 billion, respectively.

Total retail sales for the 13-week periods ended July 30, 2022 and July 31, 2021 were \$1.553 billion and \$1.539 billion, respectively. Total retail sales increased 1% for the 13-week period ended July 30, 2022. Sales in comparable stores were flat. Stronger performing categories included men's apparel and accessories and cosmetics. Ladies' apparel was the weakest performing category.

Gross Margin – Second Quarter

Consolidated gross margin for the 13 weeks ended July 30, 2022 was 40.8% of sales compared to 41.0% of sales for the prior year second quarter. The Company achieved a gross margin exceeding 40% for the sixth consecutive quarter.

Retail gross margin for the 13 weeks ended July 30, 2022 declined 20 basis points of sales to 41.5% compared to 41.7% for the prior year second quarter.

Selling, General & Administrative Expenses – Second Quarter

Consolidated operating expenses for the 13 weeks ended July 30, 2022 were \$401.3 million (25.3% of sales) compared to \$365.9 million (23.3% of sales) for the prior year second quarter.

Retail operating expenses were \$399.5 million (25.7% of sales) compared to \$364.2 million (23.7% of sales). The increase in operating expenses is primarily due to increased payroll and payroll-related expenses in the current highly competitive and inflationary wage environment.

Share Repurchase

During the second quarter, the Company purchased \$225.8 million (approximately 875,000 shares) of Class A Common Stock at an average price of \$258.11 per share under its share repurchase program.

During the 26 weeks ended July 30, 2022, the Company purchased \$412.3 million (approximately 1,610,000 shares) of Class A Common Stock at an average price of \$256.10 per share. For the same period last year, the Company repurchased \$171.0 million of stock (approximately 1,359,000 shares). As of July 30, 2022, authorization of \$199.7 million remained under the February 2022 program.

Total shares outstanding (Class A and Class B Common Stock) at July 30, 2022 and July 31, 2021 were 17.2 million and 20.7 million, respectively.

Store Information

The Company has announced the upcoming closing of locations in Sikes Senter in Wichita Falls, Texas and East Hills Mall in St. Joseph, Missouri. Both locations are expected to close during the third quarter. Dillard's confirmed its commitment to The Empire Mall in Sioux Falls, South Dakota. The new store is expected to open in the fall of 2023 and will mark the Company's 30th state of operation.

The Company operates 250 Dillard's locations and 29 clearance centers spanning 29 states and an Internet store at dillards.com. Total square footage at July 30, 2022 was 47.5 million square feet.

Dillard's, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
(In Millions, Except Per Share Data)

	13 Weeks Ended				26 Weeks Ended			
	July 30, 2022		July 31, 2021		July 30, 2022		July 31, 2021	
	% of		% of		% of		% of	
	Net		Net		Net		Net	
	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales
Net sales	\$1,588.6	100.0%	\$1,570.4	100.0%	\$3,200.3	100.0%	\$2,898.9	100.0%
Service charges and other income	29.3	1.8	31.0	2.0	60.4	1.9	60.1	2.1

	1,617.9	101.8	1,601.4	102.0	3,260.7	101.9	2,959.0	102.1
Cost of sales	941.2	59.2	927.2	59.0	1,802.6	56.3	1,701.3	58.7
Selling, general and administrative expenses	401.3	25.3	365.9	23.3	802.1	25.1	702.5	24.2
Depreciation and amortization	47.9	3.0	50.0	3.2	94.1	2.9	96.5	3.3
Rentals	5.3	0.3	5.1	0.3	10.4	0.3	10.2	0.4
Interest and debt expense, net	9.7	0.6	10.8	0.7	20.2	0.6	22.3	0.8
Other expense	2.0	0.1	2.1	0.1	3.9	0.1	7.1	0.2
Gain on disposal of assets	—	0.0	—	0.0	7.2	0.2	24.7	0.9
Income before income taxes	210.5	13.3	240.3	15.3	534.6	16.7	443.8	15.3
Income taxes	47.1		54.6		120.1		99.9	
Net income	<u>\$ 163.4</u>	10.3%	<u>\$ 185.7</u>	11.8%	<u>\$ 414.5</u>	13.0%	<u>\$ 343.9</u>	11.9%
Basic and diluted earnings per share	\$ 9.30		\$ 8.81		\$ 23.07		\$ 16.03	
Basic and diluted weighted average shares	17.6		21.1		18.0		21.5	

Dillard's, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(In Millions)

	July 30, 2022	July 31, 2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 492.9	\$ 669.5
Accounts receivable	36.4	34.4
Short-term investments	74.0	—
Merchandise inventories	1,193.4	1,112.8
Federal and state income taxes	35.7	122.8
Other current assets	97.8	66.3
Total current assets	<u>1,930.2</u>	<u>2,005.8</u>
Property and equipment, net	1,159.7	1,237.4
Operating lease assets	37.1	44.1
Deferred income taxes	30.2	26.8
Other assets	64.4	69.4
Total Assets	<u>\$ 3,221.6</u>	<u>\$ 3,383.5</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable and accrued expenses	\$ 890.8	\$ 881.5
Current portion of long-term debt and finance lease liabilities	44.8	0.4
Current portion of operating lease liabilities	10.4	12.1
Total current liabilities	<u>946.0</u>	<u>894.0</u>
Long-term debt	321.3	365.9
Operating lease liabilities	26.5	31.5
Other liabilities	278.8	282.5
Subordinated debentures	200.0	200.0
Stockholders' equity	1,449.0	1,609.6
Total Liabilities and Stockholders' Equity	<u>\$ 3,221.6</u>	<u>\$ 3,383.5</u>

Dillard's, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In Millions)

	26 Weeks Ended	
	July 30, 2022	July 31, 2021
Operating activities:		
Net income	\$ 414.5	\$ 343.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and other deferred cost	94.9	97.7
Gain on disposal of assets	(7.2)	(24.7)
Proceeds from insurance	—	2.3
Loss on extinguishment of debt	—	2.8
Changes in operating assets and liabilities:		
Decrease in accounts receivable	3.4	2.2
Increase in merchandise inventories	(113.3)	(25.0)
Increase in other current assets	(18.2)	(10.9)
Increase in other assets	(0.2)	(1.1)
(Decrease) increase in trade accounts payable and accrued expenses and other liabilities	(40.1)	111.7
Decrease in income taxes	(54.7)	(6.5)
Net cash provided by operating activities	279.1	492.4
Investing activities:		
Purchase of property and equipment and capitalized software	(61.1)	(41.2)
Proceeds from disposal of assets	8.1	29.3
Proceeds from insurance	4.8	2.8
Purchase of short-term investments	(24.7)	—
Net cash used in investing activities	(72.9)	(9.1)
Financing activities:		
Principal payments on long-term debt and finance lease liabilities	—	(0.3)
Cash dividends paid	(7.5)	(6.6)
Purchase of treasury stock	(422.6)	(164.2)
Issuance cost of line of credit	—	(3.0)
Net cash used in financing activities	(430.1)	(174.1)
(Decrease) increase in cash and cash equivalents	(223.9)	309.2
Cash and cash equivalents, beginning of period	716.8	360.3
Cash and cash equivalents, end of period	\$ 492.9	\$ 669.5
Non-cash transactions:		
Accrued capital expenditures	\$ 9.8	\$ 14.5
Accrued purchase of treasury stock	6.0	6.8
Stock awards	2.3	1.1
Accrued purchase of short-term investments	49.3	—
Lease assets obtained in exchange for new operating lease liabilities	0.6	3.8

Estimates for 2022

The Company is providing the following estimates for certain financial statement items for the fiscal year ending January 28, 2023 based upon current conditions. Actual results may differ significantly from these estimates as conditions and factors change - See "Forward-Looking Information."

	In Millions	
	2022	2021
	Estimated	Actual
Depreciation and amortization	\$ 190	\$ 199
Rentals	23	23
Interest and debt expense, net	35	43
Capital expenditures	130	104

Forward-Looking Information

This report contains certain forward-looking statements. The following are or may constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (a) statements including words such as “may,” “will,” “could,” “should,” “believe,” “expect,” “future,” “potential,” “anticipate,” “intend,” “plan,” “estimate,” “continue,” or the negative or other variations thereof; (b) statements regarding matters that are not historical facts; and (c) statements about the Company’s future occurrences, plans and objectives, including statements regarding management’s expectations and forecasts for the remainder of fiscal 2022 and beyond, statements concerning the opening of new stores or the closing of existing stores, statements concerning capital expenditures and sources of liquidity and statements concerning estimated taxes. The Company cautions that forward-looking statements contained in this report are based on +estimates, projections, beliefs and assumptions of management and information available to management at the time of such statements and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. Forward-looking statements of the Company involve risks and uncertainties and are subject to change based on various important factors. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of risks, uncertainties and assumptions. Representative examples of those factors include (without limitation) the COVID-19 pandemic and its effects on public health, our supply chain, the health and well-being of our employees and customers, and the retail industry in general; other general retail industry conditions and macro-economic conditions including inflation and changes in traffic at malls and shopping centers; economic and weather conditions for regions in which the Company’s stores are located and the effect of these factors on the buying patterns of the Company’s customers, including the effect of changes in prices and availability of oil and natural gas; the availability of and interest rates on consumer credit; the impact of competitive pressures in the department store industry and other retail channels including specialty, off-price, discount and Internet retailers; changes in the Company’s ability to meet labor needs amid nationwide labor shortages and an intense competition for talent, changes in consumer spending patterns, debt levels and their ability to meet credit obligations; high levels of unemployment; changes in tax legislation; changes in legislation, affecting such matters as the cost of employee benefits or credit card income; adequate and stable availability and pricing of materials, production facilities and labor from which the Company sources its merchandise; changes in operating expenses, including employee wages, commission structures and related benefits; system failures or data security breaches; possible future acquisitions of store properties from other department store operators; the continued availability of financing in amounts and at the terms necessary to support the Company’s future business; fluctuations in LIBOR and other base borrowing rates; the elimination of LIBOR; potential disruption from terrorist activity and the effect on ongoing consumer confidence; other epidemic, pandemic or public health issues; potential disruption of international trade and supply chain efficiencies; any government-ordered restrictions on the movement of the general public or the mandated or voluntary closing of retail stores in response to the COVID-19 pandemic; global conflicts (including the recent conflict in Ukraine) and the possible impact on consumer spending patterns and other economic and demographic changes of similar or dissimilar nature. The Company’s filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended January 29, 2022, contain other information on factors that may affect financial results or cause actual results to differ materially from forward-looking statements.



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